

side: brick shaving room (which must be provided with steam jet or hand hose) cut off from factory by entire fire-wall, with no communication except by metal carrier with self-closing fire-proof door, communication with boiler house to be by fire-proof door.

The "Basis Rate" on any of the above risks is, for steam power 3 per cent.—water power $2\frac{1}{2}$ per cent.—when the risk comes up to the standard. The rate to be charged on any given risk is found by adding a certain number of cents for each deficiency from the standard as per a printed schedule which is put into the hands of all those requiring insurance. This enables insurers to make their premises as near the standard as it is possible for them to do, and thus the lowest rate of insurance is obtained. It will be noticed that a standard building is to be of brick or stone, not over three stories high above basement, with first-class roofing and certain other requirements. If the building of any of the above named risks come up to the standard—and I understand there are now in Canada some that do—the rate charged on such risk is as above stated, for steam power three per cent., and for water power two and a half per cent. If, however, the building, instead of being stone or brick, is only brick-encased, brick-nogged, roughcast or metal-clad, an addition of 35 cents is made to the basis rate; if frame only, an addition of 75 cents is made. For a shingle roof an addition of 25 cents is made; for each story over three above basement 10 cents; for heating by wood stoves 50 cents, for hoists or stairways not outside 10 cents; for lighting other than with gas or electric lighting 25 cents, and so on for other deficiencies.

Now, the Canadian Fire Underwriters have recently adopted this system of schedule rating in Canada, and I contend that the tendency of the system of schedule rating is to lower the rates previously paid on good risks and raise them on bad risks. It is well understood that under a minimum tariff the good, bad and indifferent of each class are all rated the same as might easily be shown by reference to the printed schedules. It will be admitted that this is not an equitable system of rating risks, being unfair to those having Standard Risks to insure. It was to overcome this objection that the system of schedule rating was introduced. By referring to the description of a Standard Building which you have before inserted, it would seem that the additional charges enumerated for the deficiencies as compared with that standard are not out of proportion to the increased hazard.

For example: the added charge for the character of the building, 75 cents for a frame instead of stone or brick, is not excessive. Supposing the two buildings are in every other respect the same. There is no doubt that any company prefers having a first-class stone or brick steam-power planing mill at 3 per cent. rather than a frame planing mill at $3\frac{3}{4}$ per cent. The added charge of 10 cents for each additional story over three and basement is also a reasonable addition. Besides the greater superficial contents of the building, its greater height in case of fire is an element

of danger in coping with the fire fiend. In a wood-working risk, the heating of premises by wood stoves instead of by steam makes more, in my opinion, than a difference of one-half per cent. in the safety of such a risk, that being the increase made for this element of danger. The addition of 10 cents for hoists, elevators or stairways inside of a factory is supposed to be a legitimate one. It is well known to firemen that a fire occurring in the basement of a building, soon reaches to the very top of it by means of an elevator, hoists or stairways. Had these been outside of the building instead of being within, the fire would likely be confined to the basement, especially if discovered within a reasonable time. It is an easy matter, in constructing a factory, to place a tower outside, containing elevator and stairways, with openings protected by fire-proof doors on each flat. In this tower might also be a stand-pipe with hose and hose attachments for each floor. An allowance is made by the schedule for all such improvements. A fire, if discovered in its early stages, is easily extinguished. The application of a very little water by means of these appliances has put out many an incipient fire. Even so simple a thing as a cask of water and buckets on each floor, judiciously used, have worked marvels in this respect. It is said that on risks insured in the New England Mutuals a large percentage of incipient fires are extinguished by means of these simple appliances. The wonderful success of these Mutuals is traced to the fact, that they will only write on such risks as have been raised to the standard they require; and just in proportion as a building approaches that standard, are the chances of fire diminished.

My advice therefore to the owners of factories is, as far as possible to make the improvements indicated by the schedules with which, we understand, they are furnished, and thus obtain a lower rate of insurance. I do verily believe that the great waste by fire which every year occurs, more especially in wood-working establishments, might be much decreased by the owners making such improvements in their premises as would give the lowest possible rate of insurance. Indeed, it is perhaps not too much to say that such improvement of risks as above indicated would alike benefit the assured in obtaining a lower rate of insurance and the companies in having a better class on their books. Such a risk would pay the company better, I consider, at the reduced rate, than at the higher rate without such improvements.

STRICT SCHEDULE-RATING.

A valued contributor has sent us the above article, which contains much that is undeniable. Schedule-rating is an excellent thing, but it is possible to go too far in support of the opinion that the system here is administered in just the best and fairest way for our manufacturers and artisans. There are some objections to it, in the minds of our factory-owners, and they are stated with great freedom. "What good does schedule-rating do for me," asks a furniture-maker, "my factory was charged

four per cent. under a special tariff of 1883, and now the Underwriters think it worth more and want to charge me six and three quarters under their schedule. I should have to rebuild it to get it down near four, and yet it is no worse a risk to-day than it was then." Complaint is made, too, that a boot and shoe special in a western city, which two years ago was covered for \$1.20 on building and \$1.25 on contents, is now charged \$1.85. This hardly agrees with our correspondent's view of what has been expected from the adoption of schedule rating.

It is a question whether the fixing of a certain "Basis Rate" for an ideal risk of the highest type—of which there are but few in this country, and these few mostly getting their insurance in the New England Mutuals—and then adding a charge for every deficiency from this standard, is the best plan of procedure. Why was not, rather, the old plan followed, of fixing a rate for the worst type of risk and making a reduction of rate for each improvement wrought in it? This was done under the former tariff, with reference to the position of a boiler. When this was *inside* of a factory the highest rate was chargeable. If the boiler was first class and *outside* of the factory, cut off by fire proof doors, a deduction of 25c. was made in the rate; if the boiler-house was cut off by a fire wall, having only an opening for a shaft, belt or pipe, a further reduction of 25c. was made, in all 50c.

This was previously the difference in rate, between a factory having a boiler inside and one having it outside, and thus cut off. With the exception of steam sawmills and woollen factories these were, we believe, the only special risks in which any other reduction was made in rate on account of any improvements in a risk. It is contended that "it all amounts to the same thing in the end." This may be. But it appears to us that the old method was more simple and therefore more easily understood.

The theory of schedule-rating, we repeat, is sound, and its use presents a means of getting over anomalies and sources of risk as well as annoyance in underwriting. But to make its application in the different conditions existing in Canada, obligatory on the same scale, just as it is in the older manufacturing communities of the States is a matter that should be done very gingerly. We cheerfully grant that many of its provisions are most desirable. Under the previous system of rating no printed rule enforced discrimination between a brick chimney or an iron smoke stack, whether factory heated by steam or wood stoves—lighted by gas or coal oil lamps—whether it had or had not facilities for preventing or extinguishing fires, &c. Still it will surely not be contended that such important factors were not duly considered by the agent or manager, having before him, when estimating the hazard, a survey of the risk describing minutely all such defects.

THE Merchants' Bank of Prince Edward Island has declared a semi-annual dividend at the rate of 7% per annum.